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Congress of the United States
House of Representatives

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July 18, 2023

Richard Lim
Managing Director
GSR Ventures
1300 El Camino Real
Menlo Park, CA

Dear Mr. Lim,

We write to express serious concern and to request information about GSR's investments in artificial intelligence (AI) and semiconductor companies in the People's Republic of China (PRC), as well as any investments GSR has made in PRC-based quantum computing firms. The PRC is actively seeking out and using advancements in AI to perpetrate human rights abuses and enhance its military capabilities. It is likewise using advancements in quantum computing and semiconductor manufacturing to support the People's Liberation Army (PLA).

China's policy of military-civil fusion (军民融合)—which “eliminat[es] barriers between the PRC's civilian research and commercial sector and its military and defense industrial sectors”—ensures that no technology company in China is truly a private company.¹ American venture capital and private equity investments in PRC AI, quantum, and semiconductor companies directly contribute to the PRC's human rights abuses, military modernization, expansion of authoritarianism around the globe, and the PRC's overall effort to supplant U.S. technological leadership.

PRC-based AI companies such as Yitu, Megvii, SenseTime, and CloudWalk have all been linked to China's efforts to profile and track Uyghurs—“ushering in a new era of automated racism.”² The PLA also leverages China-based AI to modernize its military, such as for intelligent

¹ U.S. State Department, “Military-Civil Fusion and the People's Republic of China,” <https://www.state.gov/wp-content/uploads/2020/05/What-is-MCF-One-Pager.pdf>.

² Paul Mozur, “One Month, 500,000 Face Scans: How China Is Using A.I. to Profile a Minority,” New York Times, April 2019, <https://www.nytimes.com/2019/04/14/technology/china-surveillance-artificial-intelligence-racial-profiling.html>.

and autonomous vehicles, geospatial imagery analysis, warfare simulations and training, military maintenance, logistics, and more.³

GSR Ventures was among the top U.S.-located investors in PRC artificial intelligence companies between 2015 and 2021, according to a recent report by the Center for Security and Emerging Technology.⁴ The report identifies at least 33 investments in PRC artificial intelligence enterprises by GSR Ventures during this period.⁵ These transactions not only help finance the development of technology that is directly contrary to U.S. national interests, but also risk transferring critical know-how and expertise from the U.S. to the PRC.⁶

For example, GSR has invested in PLA-linked companies such as Horizon Robotics, which specializes in AI chips.⁷ Horizon is closely linked to partnerships with entities such as the Chongqing Changan Automobile Company, which is in part owned by the China South Industries Group Corporation, a firm closely linked to the People's Liberation Army. The CEO of Horizon Robotics was recognized for his contributions to the PRC's military-civil fusion strategy at a conference in October 2017.⁸

GSR has also partnered in an AI investment with a company implicated in genocide. It invested in a PRC AI company alongside iFlytek,⁹ a PRC entity that just weeks prior was added to the Department of Commerce's Entity List for its role in supporting the ongoing human rights abuses and genocide of Uyghurs in Xinjiang.¹⁰ These are just two examples that show the malign role PRC AI companies may play in supporting China's military-civil fusion strategy and human rights violations.

Like AI, the domestic development of semiconductors is a top priority of the Chinese Communist Party.¹¹ Semiconductors are essential for artificial intelligence, quantum computing,

³ Akashdeep Arul, "How China is using AI for warfare," Center for Security and Emerging Technology, February 2022, <https://cset.georgetown.edu/article/how-china-is-using-ai-for-warfare/>.

⁴ Emily S. Weinstein and Ngor Luong, "U.S. Outbound Investment into Chinese AI Companies," Center for Security and Emerging Technology, <https://cset.georgetown.edu/publication/u-s-outbound-investment-into-chinese-ai-companies/>.

⁵ *Id.*

⁶ Select Committee on the CCP, "Leveling the Playing Field: How to Counter the Chinese Communist Party's Economic Aggression," May 2023, <https://selectcommitteeontheccp.house.gov/committee-activity/hearings/hearing-notice-leveling-playing-field-how-counter-chinese-communist>; Heather Somerville, "Chinese Investment Flows to Silicon Valley Venture Funds," <https://www.wsj.com/articles/chinese-investment-flows-to-silicon-valley-venture-funds-11663234202> ("The issue, said government officials, is that the Chinese can use their roles as investors to gain know-how for launching a startup or scaling a technology company. Such insights can inform how Beijing funds and develops technology in areas strategically important to the U.S.").

⁷ Carol Huang, "Korean conglomerate invests in Horizon Robotics," <https://www.financeasia.com/article/korean-conglomerate-invests-in-horizon-robotics/450119>.

⁸ 中國鋼研戰略所, "中央軍民融合發展委員會辦公室:《關於規範以「軍民融合」名義開展有關活動的通知》," 壹讀, October 13, 2017, <https://read01.com/Q3O85MM.html>.

⁹ Weinstein, *supra* note 4.

¹⁰ Addition of Certain Entities to the Entity List, Bureau of Industry and Security 2019, 84 FR 54002-54009, Oct 09, 2019, 15 CFR 744, <https://www.federalregister.gov/documents/2019/10/09/2019-22210/addition-of-certain-entities-to-the-entity-list>.

¹¹ CSET, "Translation of 14th Five Year Plan," https://cset.georgetown.edu/wp-content/uploads/t0284_14th_Five_Year_Plan_EN.pdf.

and other advanced dual use technology.¹² GSR has invested in Smarter Microelectronics, a PRC-based semiconductor company.¹³ The PRC also uses quantum computing for military applications including counter-stealth, counter-submarine, and breaking encryption.¹⁴

Accordingly, please respond to the following questions no later than August 1, 2023:

1. Please list the name of each company that is researching or developing products or services related to artificial intelligence or machine-learning, semiconductors, or quantum computing or quantum information systems that GSR – or any affiliated investment vehicles or personnel – has invested in that is either based in or has significant operations in the PRC. Please provide each company name in both English and Chinese. If any of these investments were into holding companies or similar investment vehicles, please also provide the English and Chinese names of the relevant operating company(ies).
2. For each company listed in response to Question 1:
 - a. Please state the dollar amount that GSR invested in each listed company, and the date(s) of such investment(s) in each company.
 - b. Please describe any business or management expertise or advice that GSR has provided or expects to provide to the relevant company.
 - c. Please identify whether GSR Ventures, or affiliated personnel, is entitled to exercise control or influence over the company. Please describe how such responsibility, control, or influence may be exercised.
 - d. Please explain the relevant factors that were used to assess the investment and to make the decision to proceed with the investment. Please also identify the risk factors identified, and whether any of those risk factors related to national security or human rights concerns.
 - e. Please explain how investment decision making for transactions in China and risk assessment around national security or human rights concerns are communicated with GSR limited partners.
 - i. Please identify any limited partners in GSR or affiliated funds that are domiciled in the PRC or that manage funds on behalf of PRC state-owned or affiliated entities. Please provide the names in English and Chinese.
 - f. Please state whether the listed company was receiving or has since received funding from any Chinese state-affiliated or state-owned entity.

¹² *Id.*

¹³ Crunchbase, “Smarter Microelectronics,” <https://www.crunchbase.com/organization/smarter-microelectronics>.

¹⁴ U.S. Commerce Department, “Commerce Lists Entities Involved in the Support of PRC Military Quantum Computing Applications, Pakistani Nuclear and Missile Proliferation, and Russia’s Military,” <https://www.commerce.gov/news/press-releases/2021/11/commerce-lists-entities-involved-support-prc-military-quantum-computing>.

- i. Please specifically state whether any Chinese government entity or state-owned entity was listed in the company's capitalization table at the time the investment was made, and if so, please provide the name of such entity in English and Chinese.
 - g. Please describe the role or influence of the CCP or PRC Government at the company, including (but not limited to) any known Party committees at the company, sales to or collaboration with PRC Government entities, or alignment of corporate research or development efforts with CCP or PRC Government technology priorities.
 - i. Please produce copies of all documents and correspondence in your possession or control related to the subject matter of this question.
3. Please produce all of GSR's internal policies and procedures that relate to how GSR decides whether to invest in a company that is either based in or has significant operations in the PRC. Please produce both PRC-specific and general GSR policies and procedures that informed the decision to invest in each company listed in response to Question 1.
 - a. Please describe, and provide documents evidencing, any compliance mechanisms that GSR has put in place to ensure that such investments comport with all relevant legal restrictions in the United States and with GSR's internal policies.
4. Please describe the risk factors GSR considers during the due diligence process when considering an investment in a company that is based in or has significant operations in the PRC.
 - a. With respect to each company listed in response to Question 1, did any GSR personnel or outside consultant raise questions or concerns regarding the substance or the reputational risks related to human rights, national security or similar concerns? Please describe the questions and concerns and any objections to proceeding with the investment and produce all related documents.
5. How has, or how would, GSR respond if the U.S. government placed a company that GSR invests in on a sanctions or trade restriction list, such as the Commerce Department's Entity List? Please describe any mitigation measures GSR may have in place for such a scenario.

The House Select Committee on the Strategic Competition Between the United States and the Chinese Communist Party has broad authority to "investigate and submit policy recommendations on the status of the Chinese Communist Party's economic, technological, and security progress and its competition with the United States" under H. Res. 11. Upon your receipt of this letter, please maintain and preserve all hard copy and electronic documents, including electronic communications, related to the subject matter of this letter.

To make arrangements to deliver a response, please contact Select Committee staff at (202) 226-9678 (Majority) and (202) 225-2489 (Minority).

Thank you for your attention to this important matter and prompt reply.

Sincerely,



Mike Gallagher
Chairman



Raja Krishnamoorthi
Ranking Member